fLAB

It´s All About Asset Allocation

September 2020, Newsletter#53

Dear;

The recovery from the COVID-induced waterfall decline has been unprecedented. The global pandemic, economic collapse, policy response, waterfall decline, and market rebound all fit the definition. The six months it took for the S&P 500 to **return to a new high was the fastest on record**, 17 months quicker than after the 1987 crash, the second-fastest recovery. The composition of the rebound has left some asking if the rally is sustainable. At the crux of the issue is the claim that the FANMAG stocks are responsible for most of the gains, and the average stock is still well below its level on February 19.

Plenty of evidence support both the bearish and bullish cases. On the bearish side, the U.S. stock market has grown too top-heavy. The top five stocks in the S&P 500 account for 24.4% of the index, the most since at least 1972. On the bullish side, most stocks are rallying (otherwise, breadth thrust signals based on 90% of stocks above their 10-day and 50-day moving averages would not have fired). So, which is it, a dangerously narrow market, or a typical early bull market? the answer is that the rally is more top-heavy than normal, but not critically so. Bullish confirmation by longer-term breadth gauges like the percentage of stocks above their 200-day moving averages and by a higher technical health of the broad equity markets would negate the bearish arguments.

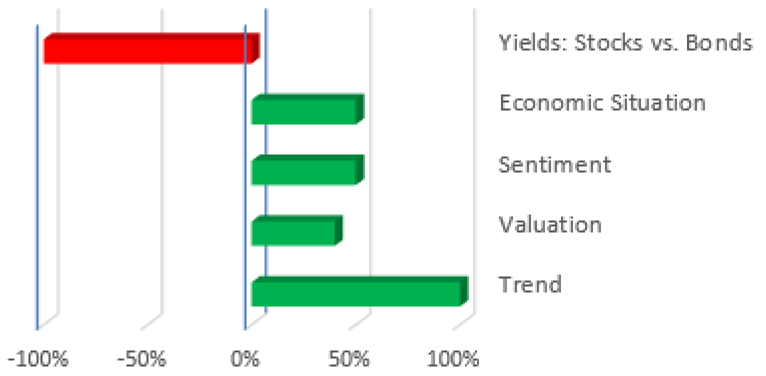
The extraordinary rebound does not leave the market immune to a cyclical bear market, a reversal so soon after a low has not been unprecedented. **Two historical cases that we have been tracking** are the rallies off the November 1929 (this case is relevant for the speed of the waterfall decline and the economic devastation) and September 2001 lows (relevant due to the economic halt that occurred after the 9/11 attacks). We are now approaching when 1929-1930 & 2001-02 bulls ended. These historical precedents imply that the next weeks could be critical for the cyclical bull market's longevity.

Our Global Asset Allocation Fund, fLAB Core H-USD, has appreciated 1.27% in August, thus performing -6.54 YTD.

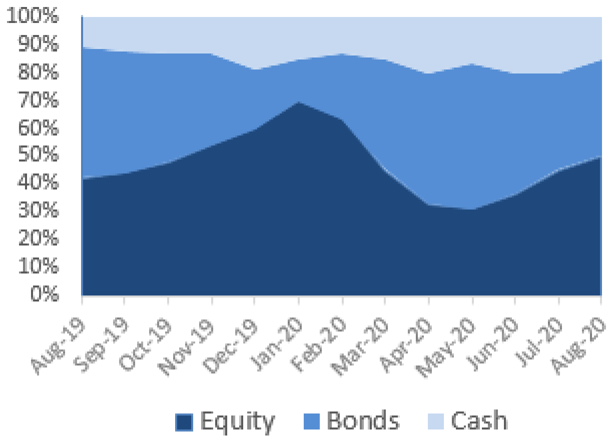
For September, our asset allocation model continues to gradually increase stock exposure. Relative strength indicators between equities and bonds have enhanced from a trend and economic point of view. We are 50% in equities, 35% in bonds and 15% in cash.

fLAB Core Asset Allocation Model - September 2020		Model	Benchmark
	Stocks	50%	55%
	Bonds	35%	35%
	Cash	15%	10%

Equity vs. Bonds Relative Strenght by Betalphing 5 Indicators



red (bond preference) green (equity preference)



Equity Regional Allocation vs MSCI World AC			
US	*OW*	*UK & Pacific Ex-Japan*	*UW*
Benchmark (US 53.2%, Eur 15.5%, Emerg Mk 9.8%, Jap 7.9%, UK 6.8%, Pacific 3.9%, Can 3%)			

Equity World Sector Allocation			
Technology & Utilities	*OW*	*Industrial & Real Estate*	*UW*

Government Bond Allocation vs Barclays Global Government Bond Index
Market Weigthed All Geo Areas
Benchmark (US 49%, Europe 26%, Japan 19%, UK 6%)

Within equity allocation, we are quite neutral on the seven regions comprising the MSCI ACWI. Our portfolio has a tilt toward growth sectors. The current macro environment of a weak dollar and falling interest rates favors Growth and Materials sectors. Growth's resilience suggests its secular bull versus Value remains well entrenched, delaying our positive view about the Value. While we have been cautious over equities during the past months, the main reason of our underperformance this year, at least we have benefited from the downtrend in bond yields. Current Bond allocation is 35% (matching our benchmark). We have a 11.70 duration, being 4.04 for the whole fund. Dollar's plunge has had a leading role during the past four months (-9% against the euro) allowing inversely correlated assets to outperform but, at the same time, hurting fund's profitability due to our 30% USD exposure. At this point, we believe the euro has gone too far too fast (excessive optimism sentiment) increasing the chances of a reversal in the short term. We maintain our currency allocation.

Our Relative Return Fund, fLAB Satellite, has retreated 0.29% this month, performing -0.79% YTD.

The compartment is invested 71% in a low risk & low duration diversified fixed income portfolio plus some decorrelated and tactical positions (24%) , being the remaining 5% in cash. August has been an incredible month for risky assets and we have benefited through our Equity multistrategy allocation (5%) and our global commodity exposure (1,6%). Instead, our fixed income allocation along with our bets, both strategic (such as Gold, which represents 6% of the portfolio) and tactical (short positions on world equities and iTraxx Crossover, each one representing 5%) have detracted some profitability. Dollar exposure (17% of the fund) has continued to erode performance over the last month.
After the unprecedented market rally, we believe, more than ever, that market is vulnerable to any bad news, that's why we will keep all these positions.

fLAB Core Awards, June 2020

LIPPER LEADERS

10 year Ranking

Total Return	Consistent Return	Preservation	Expense Ratio
4	5	4	5

MORNINGSTAR

10 year Ranking

fLAB Fund SICAV Core A | ★★★★

fLAB Fund SICAV Core H-USD | ★★★★

CITYWIRE GOLD

HIGHLY RATED FUND SharingAlpha

Funds 2020 people A B C

***Note : We remind you that we have launched fLAB Core & fLAB Satellite clean share classes in both EUR and USD**, applying the same management fees as the cheapest Institutional class. Please check new ISIN codes by clicking the links down here.*

Monthly factsheets

Please find attached the Fact Sheets of our main Luxembourg products fLAB Core & fLAB Satellite, available in EUR, USD, GBP and SGD

fLAB Core

fLAB Satellite

allfunds BANK Leaders in Open Architecture
MFEX MUTUAL FUNDS EXCHANGE
inversis BANCO
AVIVA Aviva's investment platform - Navigator

You can find all Technical Info, KIIDs, Prospectus, Investment Strategy and all about the Ucits Fund at: http://www.flabfunds.com

Please keep us informed if you need further information.

Kind regards,

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